



Condensed Interim Financial Statements

For the Three Months Ended January 31, 2019

(Unaudited - Expressed in Canadian Dollars)

The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the three months ended January 31, 2019, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditor.

Commerce Resources Corp.

Condensed Interim Statements of Financial Position

As expressed in Canadian dollars

(Unaudited – prepared by management)

	January 31, 2019	October 31, 2018
Assets		
Current		
Cash	\$ 13,563	56,710
Marketable securities	43,562	28,035
Short term investment (Note 5)	34,500	34,500
Taxes and other receivables	38,532	49,277
Prepaid expenses	97,323	104,719
	227,480	273,241
Equipment (Note 6)	410,633	418,374
Exploration and evaluation assets (Note 7 and Schedule I)	61,325,978	61,283,508
Reclamation bonds	82,000	82,000
	\$ 62,046,091	62,057,123
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 14)	\$ 1,174,904	1,159,840
Due to related parties (Note 11)	1,117,264	983,040
	2,292,168	2,142,880
Shareholders' Equity		
Share capital (Note 8)	83,769,426	83,769,426
Reserves (Note 9)	9,183,252	9,183,252
Accumulated other comprehensive income	24,136	8,608
Deficit	(33,222,891)	(33,047,043)
	59,753,923	59,914,243
	\$ 62,046,091	62,057,123

Approved and authorized by the Board of Directors on March 13, 2019:

“Christopher Grove”

Director

“David Hodge”

Director

The accompanying notes are an integral part of these condensed interim financial statements.

Commerce Resources Corp.

Condensed Interim Statements of Operations and Comprehensive Loss

For the three months ended January 31,

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2019	2018
Expenses		
Administration fees and rent (Note 10)	\$ 90,000	\$ 90,000
Advertising and website	9,159	77,511
Consulting fees (Note 11)	23,168	37,045
Filing and transfer agent fees	610	7,029
Insurance	2,445	2,823
Investor relations	16,102	16,260
Office, telephone and miscellaneous (Note 10)	4,038	3,691
Professional fees	1,664	12,629
Travel expenses	28,665	12,909
Loss before other items	(175,851)	(259,897)
Other items:		
Interest income	3	482
Interest expense	-	(15,305)
	3	(14,823)
Loss before income taxes	(175,848)	(274,720)
Deferred income tax recovery (Note 14)	-	31,513
Net loss for the period	(175,848)	(243,207)
Other comprehensive income for the period		
Change in fair value of available-for-sale financial assets	15,528	1,321
Comprehensive income for the period	15,528	1,321
Net loss and comprehensive loss for the period	\$ (160,320)	\$ (241,886)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	310,496,558	290,498,062

The accompanying notes are an integral part of these condensed interim financial statements.

Commerce Resources Corp.

Condensed Interim Statements of Changes in Equity

For the three months ended January 31, 2019 and 2018

As expressed in Canadian dollars

(Unaudited – prepared by management)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2017	309,589,908	\$ 83,701,427	\$ 9,153,914	\$ 15,376	\$ (32,247,065)	\$ 60,623,652
Change in fair value of available- for-sale financial assets	-	-	-	1,321	-	1,321
Net loss for the period	-	-	-	-	(243,207)	(243,207)
Balance, January 31, 2018	309,589,908	\$ 83,701,427	\$ 9,153,914	\$ 16,697	\$ (32,490,272)	\$ 60,381,766
	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2018	310,496,558	\$ 83,769,426	\$ 9,183,252	\$ 8,608	\$ (33,047,043)	\$ 59,914,243
Change in fair value of available- for-sale financial assets	-	-	-	15,528	-	15,528
Net loss for the period	-	-	-	-	(175,848)	(175,848)
Balance, January 31, 2019	310,496,558	\$ 83,769,426	\$ 9,183,252	\$ 24,136	\$ (33,222,891)	\$ 59,753,923

The accompanying notes are an integral part of these condensed interim financial statements.

Commerce Resources Corp.

Condensed Interim Statements of Cash Flows

For the three months ended January 31, 2019 and 2018

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the period	\$ (175,848)	\$ (243,207)
Add (deduct) items not affecting cash:		
Deferred income tax recovery	-	(31,513)
Changes in non-cash working capital items related to operations:		
Amounts receivable	10,745	2,518
Prepaid expenses	7,396	10,850
Due to (from) related parties	89,527	198,875
Accounts payable and accrued liabilities	59,762	124,039
Net cash flows from (used in) operating activities	(8,418)	61,562
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Short term investment	-	95,000
Proceeds from sale of claims in exploration and evaluation assets	-	25,000
Exploration and evaluation costs, net of tax credits received	(34,729)	(169,050)
Net cash flows (used in) investing activities	(34,729)	(49,050)
Increase (decrease) in cash and cash equivalents	(43,147)	12,512
Cash and cash equivalents, beginning of period	56,710	11,916
Cash and cash equivalents, end of period	\$ 13,563	\$ 24,428

Supplemental disclosure with respect to cash flows – Note 13

The accompanying notes are an integral part of these condensed interim financial statements.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Commerce Resources Corp. (“Commerce” or the “Company”) was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia (“BC”) and Quebec, Canada. Commerce is a public company listed on Tier 1 of the TSX Venture Exchange in Canada (“CCE”) and the Frankfurt Stock Exchange in Germany (“D7H”). The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

These condensed interim financial statements were authorized for issue by the Audit Committee and Board of Directors on March 13, 2019.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit of \$2,064,688 at January 31, 2019 (October 31, 2018 - \$1,869,639), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company’s exploration and development programs. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

2. BASIS OF PRESENTATION - continued

Basis of Measurement - continued

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The accrued liability to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment for the flow through shares issued;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Production stage of a mine

The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Judgments - continued

- Provisions for reclamation

Management assesses its provision for reclamation on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

- Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended October 31, 2018. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2018.

5. SHORT TERM INVESTMENTS

At January 31, 2019, the Company had two guaranteed investment certificate ("GIC") totaling \$34,500 (October 31, 2018: \$34,500). One of the GIC's has an interest rate of prime less 2.45% and will mature in March 2019 and one has an interest rate of prime less 2.6% and will mature in July 2019.

6. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
<u>Costs</u>					
October 31, 2018 and January 31, 2019	\$ 316,931	\$ 303,748	\$ 255,796	\$ 120,282	\$ 996,757
<u>Accumulated Amortization</u>					
October 31, 2017	\$ 316,931	103,887	126,120	-	546,938
Additions	-	10,129	21,316	-	31,445
October 31, 2018	316,931	114,016	147,436	-	578,383
Additions	-	2,412	5,329	-	7,741
January 31, 2019	\$ 316,931	\$ 116,428	\$ 152,765	\$ -	\$ 586,124
<u>Net Book Value</u>					
October 31, 2018	\$ -	\$ 189,732	\$ 108,360	\$ 120,282	\$ 418,374
January 31, 2019	\$ -	\$ 187,320	\$ 103,031	\$ 120,282	\$ 410,633

During the three months ended January 31, 2019, \$7,741 (January 31, 2018: \$7,861) of amortization has been capitalized to Exploration and Evaluation Assets.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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7. EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interests and related spending commitments (see Schedule I for a detailed breakdown):

Blue River Claims – (formerly known as the Upper Fir, Verity and Fir Claims)

The Company has a 100% interest in its Blue River claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, all of which were acquired by staking.

Eldor Claims

The Company acquired, by staking and a purchase agreement, a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company purchased 8 mineral claims from Virginia Mines Inc. ("Virginia Mines"), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company. The Company currently has 244 claims covering 11,475 hectares.

Virginia Mines retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for \$500,000.

As of January 31, 2019, the Company has recorded \$34,761 (October 31, 2018: \$34,761) of mining tax payable in accounts payable and accrued liabilities due to adjustments made by Revenue Quebec in fiscal 2016.

On January 11, 2018, the Company entered into an exploration earn-in agreement with Saville Resources Inc. ("Saville") on the Eldor Niobium claims, known as the Niobium Claim Group Property. Under the exploration earn-in agreement, Saville has agreed to perform \$5,000,000 of work on the claims over a five-year period to earn a 75% interest in the claims. The Company will receive a cash payment of \$25,000 upon signing (received) and a cash payment of \$225,000 (received) following Exchange approval on October 11, 2018. The Company will retain a 2% Net Smelter Royalty (NSR) on production from some of the claims with a 1% NSR buyback for \$1,000,000, and a 1% NSR on the claims that are already subject to royalties.

Other Claims – British Columbia, Canada

Other claims consist of mineral claims located in Quebec, Canada known as the Alan Parson. These claims have lapsed and were impaired during the year ended October 31, 2018.

8. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) Issued and outstanding:

The total issued and outstanding shares of the Company total 310,496,558 as at January 31, 2019 (October 31, 2018: 310,496,558).

During the year ended October 31, 2018:

On February 14, 2018, 906,650 share purchase warrants priced at \$0.075 per share were exercised for gross proceeds of \$67,999.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

8. SHARE CAPITAL - continued

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the three months ended January 31, 2019 and the year ended October 31, 2018:

	January 31, 2019		October 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	49,134,308	\$ 0.10	69,339,623	\$ 0.10
Expired	-	-	(19,298,665)	0.10
Exercised	-	-	(906,650)	0.10
Balance, end of period	49,134,308	\$ 0.10	49,134,308	\$ 0.10

The following share purchase warrants were outstanding and exercisable as at January 31, 2019 and October 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	January 31, 2019 Number of Warrants	October 31, 2018 Number of Warrants
February 16, 2019*	0.04	\$0.08	33,423,800	33,423,800
May 26, 2019	0.32	\$0.10	15,710,508	15,710,508
Total Outstanding and Exercisable	0.13	\$0.09	49,134,308	49,134,308

*See Note 15.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

8. SHARE CAPITAL - continued

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the three months ended January 31, 2019 and the year ended October 31, 2018:

	January 31, 2019		October 31, 2018	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of period	290,962	\$ 0.10	3,030,908	\$ 0.09
Expired	-	-	(2,739,946)	0.09
Balance, end of period	290,962	\$ 0.10	290,962	\$ 0.10

The following agents' warrants were outstanding and exercisable as at January 31, 2019 and October 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	January 31, 2019 Number of Agents' Warrants	October 31, 2018 Number of Agents' Warrants
February 16, 2019*	0.04	\$0.10	259,000	259,000
May 26, 2019	0.32	0.10	31,962	31,962
Total Outstanding and Exercisable	0.07	\$0.10	290,962	290,962

*See Note 15.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

9. SHARE-BASED PAYMENTS

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However, for options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

The following is a summary of option transactions under the Company's stock option plan for the three months ended January 31, 2019 and the year ended October 31, 2018:

	January 31, 2019		October 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	14,322,320	\$ 0.07	17,152,320	\$ 0.08
Granted	-	-	1,000,000	0.075
Expired/Cancelled	-	-	(3,830,000)	0.15
Balance, end of period	14,322,320	\$ 0.07	14,322,320	\$ 0.07

The following stock options were outstanding and exercisable as at January 31, 2019:

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	\$0.065	13,322,320	3.35
April 12, 2023	\$0.075	1,000,000	4.20
Total Outstanding		14,322,320	3.41
Total Outstanding and Exercisable		14,322,320	3.41

On April 12, 2018, the Company granted 1,000,000 incentive stock options, exercisable into one common share of the Company at a price of \$0.075 per share for a period of 5 years. The options were provided to a company providing investor relations services, and accordingly, 100% of the options have been vested as of January 31, 2019 (October 31, 2018 – 75%).

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

10. COMMITMENTS

On May 1, 2008, the Company entered into a Management & Administration Agreement (“Agreement”) with Zimtu Capital Corp. (“Zimtu”). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months. The agreement has been renewed in prior years and on December 1, 2018, the Company renewed the agreement for another period of 12 months at \$30,000 per month.

11. RELATED PARTY TRANSACTIONS

During the three months ended January 31, 2019 and 2018, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Three months ended January 31,	
	2019	2018
Key management compensation*	\$	\$
Geological services	3,235	24,969
Administrative fees	90,000	90,000
Consulting fees to key management	15,112	29,415
Advertising and promotion	-	56,527
Total	108,347	200,911

	January 31,	October 31,
	2019	2018
Amounts due to (from) related parties	\$	\$
Dahrouge Geological Consulting (a)	267,348	274,244
Axel Hoppe, Director (b)	70,768	56,520
Zimtu Capital Corp. (c)	779,148	652,276
Due to related parties – Net total	1,117,264	983,040

- (a) Dahrouge Geological Consulting provides geological services to the Company. Dahrouge is controlled by a director of the Company, Jody Dahrouge.
- (b) Dr. Axel Hoppe provides guidance, direction and advice based on his professional experience in tantalum and niobium for over forty years.
- (c) Zimtu Capital Corp. is a company with common directors and management. Zimtu provides key management services to the Company.

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company’s executive officers and certain members of its Board of Directors.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm’s length basis.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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12. FINANCIAL INSTRUMENTS

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At January 31, 2019, the Company held cash of \$13,563 (October 31, 2018: \$56,710) and short term investments of \$34,500 (October 31, 2018: \$34,500) with Canadian chartered banks.

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at January 31, 2019, the Company has total current liabilities of \$2,292,168 (October 31, 2018: \$2,142,880). Management intends to meet these obligations by raising funds through future financings.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

i) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

Commerce Resources Corp.

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Expressed in Canadian Dollars

(Unaudited – prepared by management)

12. FINANCIAL INSTRUMENTS - continued

ii) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company invests part of the cash balance in a variable rate GIC. The exposure to interest rate risk, however, is limited due to the short-term nature of the GIC.

d) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2019 and October 31, 2018:

	As at January 31, 2019		
	Level 1	Level 2	Level 3
Cash	\$ 13,563	\$ -	\$ -
Short term investments	34,500	-	-
Marketable securities	43,562	-	-
	\$ 91,625	\$ -	\$ -

	As at October 31, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 56,710	\$ -	\$ -
Short term investments	34,500	-	-
Marketable securities	28,035	-	-
	\$ 119,245	\$ -	\$ -

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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12. FINANCIAL INSTRUMENTS – continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at January 31, 2019, the Company's shareholders' equity was \$59,753,923 (October 31, 2018: \$59,914,243). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties. The Company is not subject to any externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year.

13. NON-CASH TRANSACTIONS

The following transactions have been excluded from the statement of cash flows:

During the three months ended January 31, 2019:

- Exploration and evaluation assets of \$182,741 were included in accounts payable and \$267,348 were included in due to related parties.
- Amortization of \$7,741 relating to equipment was included in exploration and evaluation assets.

During the three months ended January 31, 2018:

- Exploration and evaluation assets of \$191,801 were included in accounts payable and \$265,850 were included in due to related parties.
- Amortization of \$7,861 relating to equipment was included in exploration and evaluation assets.

14. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On December 22, 2014, the Company issued 12,025,000 shares on a flow-through basis at \$0.25 per share for gross proceeds of \$3,006,250, and recognized a liability on flow-through shares of \$781,625. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2014. As the Company had unfulfilled CEE obligations of \$1,268,058 at December 31, 2015, as a result of unspent flow-through proceeds related to this flow through issuance, the Company incurred Part XII.6 tax and related penalties and interest of \$234,418 which was recorded in other expenses for the year ended October 31, 2016. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment of up to \$594,000, calculated based upon a combined tax rate of 43.7% of unspent flow-through funds raised. The Company has recognized the liability in accrued liabilities.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

15. SUBSEQUENT EVENTS

- i. On February 16, 2019, 33,423,800 share purchase warrants priced at \$0.08 and 259,000 broker warrants priced at \$0.10 expired unexercised.

Commerce Resources Corp.
Schedule of Resource Properties
For the three months ended January 31, 2019
Expressed in Canadian dollars

Schedule I

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of period	\$ 201,602	\$ 1,332,866	\$ 211,580	\$ 1,746,048
Staking	-	-	-	-
Balance, end of the period	201,602	1,332,866	211,580	1,746,048
Deferred exploration and development costs				
Balance, beginning of period	27,916,992	31,832,048	(211,580)	59,537,460
Amortization – field equipment and office	2,412	-	-	2,412
Environmental and permitting	-	1,729	-	1,729
Field equipment rental	5,329	-	-	5,329
Food and accommodation	3,082	-	-	3,082
Geology, mapping and drafting	-	1,797	-	1,797
Insurance	1,292	1,939	-	3,231
Other	12,500	10,722	-	23,222
Project management	1,485	-	-	1,485
Travel and transport	-	183	-	183
	26,100	16,370	-	42,470
Balance, end of period	27,943,092	31,848,418	(211,580)	59,579,930
Total balance, end of period	\$ 28,144,694	\$ 33,181,284	\$ -	\$ 61,325,978

Commerce Resources Corp.
Schedule of Resource Properties
For the year ended October 31, 2018
Expressed in Canadian dollars

Schedule I
Continued

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	\$ 201,602	\$ 1,300,599	\$ 211,580	\$ 1,713,781
Staking	-	32,267	-	32,267
Balance, end of the year	201,602	1,332,866	211,580	1,746,048
Deferred exploration and development costs				
Balance, beginning of year	27,831,488	31,879,889	(205,692)	59,505,685
Amortization – field equipment and office	10,129	-	-	10,129
Assays and analytical	-	94,305	-	94,305
Consulting	-	697	-	697
Environmental and permitting	-	331	-	331
Field equipment rental	21,316	10,511	-	31,827
Field supplies	-	(15,094)	-	(15,094)
Food and accommodation	12,254	82	-	12,336
Geology, mapping and drafting	-	69,919	-	69,919
Insurance	5,126	7,693	-	12,819
Other	38,038	43,989	-	82,027
Project management	4,703	-	-	4,703
Travel and transport	804	10,804	-	11,608
	92,370	223,237	-	315,607
Mining tax credits	(6,866)	(21,078)	-	(27,944)
Impairment of exploration asset	-	-	(5,888)	(5,888)
Proceeds from sale of claims	-	(250,000)	-	(250,000)
Balance, end of year	27,916,992	31,832,048	(211,580)	59,537,460
Total balance, end of year	\$ 28,118,594	\$ 33,164,914	\$ -	\$ 61,283,508